



MEMORANDUM

To: Members of the Senate Appropriations Committee

From: Wendy Block and Tricia Kinley, Michigan Chamber of Commerce

Date: November 27, 2012

Subject: MI Chamber Opposes Health Insurance Claims Tax Increase (SB 1359)

We are writing to voice the Michigan Chamber's opposition to Senate Bill 1359, legislation to dramatically increase the Health Insurance Claims Tax ("HICA") on Michigan job providers.

While we understand the desire to use this tax to meet federal match requirements to fund Michigan's Medicaid program, we are opposed to SB 1359 for the following reasons:

- It would vastly expand the HICA tax from a one percent tax on paid health insurance claims a variable tax rate, whereby unelected Treasury officials would determine the tax rate in order to collect enough revenue to meet the Medicaid "base need" plus the medical rate of inflation. This uncapped, unlimited and unpredictable tax rate will hinder the ability of Michigan's businesses to plan for the future and compete.
- The HICA tax has been in place for less than a year and has not met revenue expectations. More analysis is needed to determine why this is the case and what the state can do to increase compliance and collection.
- Increasing taxes on healthcare coverage will negatively impact the ability of employers to offer coverage to their employees.
- The bill as introduced repeals important safeguards in current law that allows for a credit/refund to taxpayers if revenues exceed projections.
- There may be other viable funding solutions. For example, Senate Bill 1294 creates a "Health and Wellness Foundation" (Foundation) to receive \$1.5 billion from Blue Cross Blue Shield of Michigan to invest in projects that improve the health and wellness of the citizens of Michigan. Certainly, Medicaid is integral to this mission. Senate Bills 1359 and 1294 could be amended to require the Foundation to fill the gap between HICA revenues and the amount needed to draw down federal Medicaid dollars.

For the sake of our state's competitiveness, the health of Michigan's citizens, and the ability of Michigan's businesses to compete, please OPPOSE Senate Bill 1359.